



PRODUCE BUYING AND MARKETING BOARDS IN NIGERIA: INTERROGATING THE FISCAL ROLE OF WESTERN NIGERIA MARKETING BOARD 1942-1962

**Adeyinka Theresa Ajayi¹,
Ajibade Idowu Samuel²,
Oladiti Abiodun Akeem³**

¹PhD, Department of History and International Studies,
Ekiti State University, Ado-Ekiti, Ekiti State Nigeria

²PhD Student, Department of History,
University of Ibadan, Oyo State, Nigeria

³PhD, Department of General Studies,
Ladoke Akintola University of Technology,
Ogbomoso, Oyo State, Nigeria

Abstract:

Marketing Board system was one of the mechanisms of British colonial policy in Nigeria. Primary products were channeled through the Boards to Europe at the expense of both the Nigerian state and the farmers, the producers of these commodities. This study examines produce buying via Marketing Boards in Nigeria and specifically interrogates the fiscal role of Western Nigeria Marketing Board. It argues that the Marketing Boards, in spite of their exploitative nature was beneficial to the regional governments. In the Western Region, the Western Nigeria Marketing Board (WNMB) became the fiscal arm of the regional governments. It became the major financier of development projects in the region through the region's development corporations. The paper concludes that the process of development was circumscribed due to misappropriation and diversion of funds derived from the Western Region Marketing Board.

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1. Introduction

The British colonial economic policy was anchored on the belief that a colonial territory existed primarily for the benefit of the metropolitan country. The economic relationship between Britain, the metropolitan country and her colonies was expected to be governed by the principle of comparative advantage, implying that a country should specialise in the production of what she was best suited for. Consequently, a colony was expected to supply the raw materials needed by the industries in the metropolis. Nigeria as a colonized country was expected to provide not only the basic raw materials for the industries in Britain but also serve as market for the sale of European manufactured goods (Olubomehin, 2012, 37). This means colonies must be self-supporting; that they must provide agricultural export crops for the imperial country and that they must buy its manufactured goods in return (Webster and Idowu, 1967, 278). Thus, colonial economic policies in Nigeria promoted export crop and mineral production to feed the British factories. The colonial territory of Nigeria served not only as ready source of cheap raw materials to feed the growing industries in Britain and European in general, but also as trading post for the British and European traders and merchants.

By the same token, the policy encouraged large scale cultivation of agricultural produce especially in the three main regions; the West produced cocoa, and rubber; the Eastern produced palm produce and rubber while the North produced groundnuts and cotton among other agricultural produce and raw materials (Falola, 2004, 48). Nigeria was among the highest producers of major primary products, which were in high demand during the colonial era. Nigeria was the third producer of cocoa.

Against this background, the British realised that to achieve their economic objective, a strategy for acquiring these needed agricultural produce from the various regions of Nigeria became expedient having encouraged the production of these crops in the various regions. However, given the fact that one major reason why Britain colonized Nigeria was to ensure a cheap and steady supply of raw materials to British industries, the colonial administration completely discouraged the cultivation of food crops while encouraging cash crops production the raw materials, which Britain needed included cotton for British textile factories, rubber for tyres and other products, palm oil and kernel for soap and margarine, groundnut for manufacturing oil, hides and skins for leather products, timber for furniture as well as tin, coal, amongst others (Onimode, 1981, 80-81).

The strategies adopted by colonialists for buying and acquiring these commodities were exploitative in nature. Buying and exporting African agricultural

produce from Nigeria and Africa in general dates back to the introduction of the legitimate trade, after the demise of the obnoxious slave trade and the advent of the Industrial Revolution. European traders had explored Africa in search of raw materials to feed their nascent industries and get market for their finished goods in the late 19th century. Trading companies were established by these European merchants primarily for the export of primary products. Exports of farm crops including minerals were in the hands of a very few Europeans and American concerns. The United African Company UAC for example handled nearly half of West Africa's overseas trade, and the Compagnie française de l'Afrique occidentale CFAO along with Société commerciale de l'Afrique occidentale SCOA accounted for most of the rest. The Unilever dominated palm oil exports from Belgian Congo as well as from West Africa. Control of market behavior and taxation of long distance trade were also well established perquisites of traditional authorities long before European occupation (Jones, 1987, 376).

After the Berlin Conference of 1884-85, which culminated in the scramble for and partitioning of Africa, and after the revocation of the charter of the Royal Niger Company in 1899, which had given the company a quasi-governmental function and made George Tubman Goldie and his European agents *de facto* colonial masters, the stage became set for the proper colonization of Nigeria. Indeed, the stage was set for effective and formal exploitation of Nigeria. Between 1900 and 1914, Britain succeeded in making herself the new paramount ruler of the entire Nigerian nation (Ayandele, 2006, 383).

2. Establishment of Marketing Boards

Marketing Boards were export monopoly set up in British West Africa in the 1940s to control export crops such as cocoa, groundnuts, and cotton, rubber and oil palm produce. The *raison d'être* for this was primarily to stabilize the prices and income of these commodities (Van der Laan and van Haaren, 1990, 5).

The origins of Marketing Boards in Nigeria and indeed West Africa are to be found in the attempts by British merchants firms to organize monopolistic cartels to purchase produce. As from 1939, the British government under the auspices of the United African Company was determined to buy the entire cocoa output of British West Africa. Thus, it established West African Cocoa Control Board in 1940 and the West African Produce Control Board of 1942. The West African Produce Control Board covered cocoa, groundnuts, and palm produce and had its jurisdiction in all British West African territories. This enabled the British government's Ministry of Food and

Supply strong control and access over the Nigerian agricultural produce (Offu, 2012, 62).

For greater convenience in the expropriation of the Nigerian agricultural produce, the West African Produce Control Board was decentralized and commodity Boards were established to cater separately for these products. Thus, the Nigeria Cocoa Marketing Board was established in 1947 while the Nigeria Groundnut Marketing Board, the Nigeria Oil Palm Marketing Board and the Nigeria Cotton Marketing Board were established in 1949 and took over the buying and exporting of these crops from the West African Produce Control Board (Bauer, 1954, 54) and (Hawkings, 1958, 51)

The British gave two justifications in their defence for the Marketing Boards: the first argued that the producers would benefit from a regulated system of marketing in which government fixed crop prices for each season and licensed buyers to protect farmers from 'abuses'. The second claim was that the boards would use their funds to serve as a cushion against short and intermediate price fluctuations in the world market price; some funds would also be used for other purposes of general benefit to the producers and industries such as research, disease control and eradication and rehabilitation of diseased cocoa trees, the amelioration of indebtedness, the encouragement of cooperation and the provision of other amenities and facilities to producers (Afeikhana and Ogunkola, 2000).

Put differently, there was a deliberate effort to depress prices paid to Nigerian farmers to hold down wartime inflation in Britain. This amounted to a tax on Nigerian farmers to finance the British war effort. Many of these Marketing Boards subsequently established stabilisation funds to protect farmers against the widely anticipated collapse of the post-war boom. Almost inevitably, the Marketing Boards lent these funds to central government, thus adding an additional method of extraction of surplus to the export duties that were widely collected. The Boards used price fixing to accumulate huge reserves. Prices were arrived at by conditions in the world market, domestic transport cost and the margins of profits to be made by the produce buyers, the middlemen between the farmers and the Boards. In years without contracts for bulk buying with a government agency in Britain, the Boards relied on the Nigerian produce marketing Company based in the United Kingdom to sell on the open market and to organize shipping (Helleiner, 1977).

Marketing Board system during the colonial period implied withholding substantial proportion of what ought to be the farmer's incomes either as a means of combating inflation or preparing for the foreign exchange balances. This was forced saving that ended up hurting the farmer and agriculture as a business. It would have

been quite instructive to see what farmers could have done with their earnings if these were not withheld for other development purposes by the state (Akande, 2003, 17-18).

Be that as it may the colonial government placed high premium on stabilization. It would be recalled that the colonial government had prescribed formula to which rigid adherence was given; 70 percent of these accumulating reserves were to be retained for stabilization purposes, inordinately high stabilization reserves were soon accumulated. At the end of 1954, Nigerian Marketing Boards held upwards of £66 million of investments in Britain which were specifically allocated to the provision of 'economic security' to the farmers. As Marketing Boards reserves mounted, some modification to the system of distribution of trading surpluses was introduced. Gradually the stabilization role of the Marketing Boards was eroded. For instance, in order to enable Production Development Boards to plan their programmes more effectively, the oil palm produce Marketing Board guaranteed them a minimum allocation of £800 for each of the years 1950-55. In order to fulfill this obligation, during its two years of trading losses, it was necessary actually to reduce reserves which were not originally to be employed for development purposes at all. This may be said to mark a major breach in the idea that Marketing Board's assets were purely stabilization reserves. In the same vein, the Groundnut Marketing Board made a guarantee of 500 pounds per annum for each of the seasons 1950/51 to 1954/55. More significantly, the Marketing Boards undertook to lend to the central government a sum which they can be reasonably certain they will not require within the next fifteen years- ultimately placed at 14 million pounds. Reserves of the size which had been accumulated by 1954 constituted a very great temptation to the regional governments which had been granted vastly increased responsibility for the promotion of economic development following the constitutional revision of 1954 (Helleiner, 1977).

As a result of a new constitutional arrangement in 1954, which regionalized Nigeria, four Commodity Boards were established; the Western Region Marketing Board, catered majorly for cocoa among other products, Eastern Regional Marketing Board was primarily for palm produce while two Commodity Boards for groundnuts and cotton was handled by the Northern Region Marketing Board, and these Boards were to be in charge of the export crops within their various territories. After their creation, they inherited a huge sum of £8, 320,096, part of what had been accumulated since the war years. After the war, the prices of commodities were constantly high but the Boards kept paying lower than the international prices. There were some years when the marketing boards accumulated well over 100 percent. For instance in 1953 the Boards realized on the sales of cocoa £28 million to the farmers. These surpluses were

mainly kept in British banks, where they were used to finance British economic recovery.

There was a Central Marketing, which served as a coordinating Board and was responsible for overseas marketing and export of the commodities controlled by the Regional Boards. However, the Nigerian Produce Marketing Company sold such commodities abroad on behalf of the Central Marketing Board. In 1958, the government again modified these arrangements in the light of further constitutional changes. It abolished the Central Marketing Board and re-allocated its functions to the Federal Ministry of Commerce and Industries, the Regional Marketing Boards and the reconstituted Nigerian Produce Marketing Company Limited (Tamuno, 2006, 402).

The Boards invariably provided funds for the economic development of the areas of production and for scientific research apart from its stabilization function. The accumulated funds were allocated thus: 70 percent for price stabilization, 7½ percent for research and 22½ for development. As to the price policy, the Boards had absolute control of purchases of the major export products. They fixed the buying prices at the beginning of each crop season but the manipulation of prices came into play when the Boards faced major fluctuations in the world prices. Tied up with this policy was the policy of adopting different grades for the same product and paying different prices for each grade. Revenues accumulated by these government monopolies from the surplus of selling prices over producer prices less marketing costs from 1947 to 1954 totaled N239.3 million and included N92.1 million for cocoa, N70 million for palm produce, N61.1 million for groundnuts and 16.6 million for cotton. Huge sums were transferred from these Boards to the new Regional Marketing Boards. The Eastern Region got N22.9 million, the Northern Region N65.3 million while the West had N85.8 million. During the 1954-61 period, the Regional Marketing Boards accumulated huge surpluses: Eastern Region N47.8 million; north, N63.8million and Western Region N125.1 million (Idachaba, 1980, 41). From the accumulated funds, the Boards provided the capital which financed the establishment of the regional production development boards, later known as Development Corporation. The Marketing Board also made direct grants and loans to the government for financing development projects e.g. the former Western Nigerian Marketing Board made outright grant of N20 million and loan of the same amount to the regional government to execute its development plan of 1955-1960 (Akande, 2003).

The Marketing Boards were originally presented as “humanitarian” scheme to save farmers from financial strangulations, but ultimately becoming an avenue for the government to exploit the poor and to build foreign reserves. The Boards effectively put in the hands of the government power to market crops, a power that was shared with a

selected number of privileged firms. Marketing Boards aimed at maintaining stable prices for export commodities in order to protect the farmers from unpredictable fluctuations in prices. The Boards built a reserve by underpaying farmers when prices were high but subsidizing them when prices were low. The funds generated by the Marketing Boards sustained many of the activities of the regional governments in the 1950s, funded several development programs and provided opportunities for the first generation of Nigerian politicians to have access to money, which they used for development purposes as well as to fund political parties and reward political and business associates (Beckam, 2004, 97).

Generally, the Boards even after regionalization enjoyed monopoly powers. They fixed prices and were the only ones who could buy and sell abroad. Where the products were consumed locally, as in the case of groundnuts, the Boards had to pay competitive prices, lest the farmers paid to local consumers. In the case of cocoa, there was no local use for the product and a farmer had to wait for five or seven years before harvesting from a new tree. The fact that farmers had no domestic use of the product other than to sell them meant that the Boards could manipulate the prices to accumulate more reserves. Regional Boards relentlessly pursued the old policy of underpaying farmers in order to accumulate reserves. If the producers were deceived in the 1940s as to the intention of the Marketing Boards, this was no longer the case in the 1950s; resounding complaints of being cheated and receiving an inequitable share of higher prices were registered against the state. The government dismissed the complaint arguing that stabilization was necessary to form reserves to guarantee producers stable prices, to lend money for development purpose and to mitigate the severity of inflationary pressures (Falola, 1996, 153).

The regional governments thus took on the role of caretaker for the development of their regions. At first, all major investments were left to foreign firms but these regions soon increasingly involved themselves in large scale productive and commercial operations through the inauguration of regional Development Boards. While the economic contributions of such enterprises were frequently dissipated through corruption and misappropriation, they were significant in providing a source for primitive accumulation by an incipient capital class in society at large (Beckam, 2004). The regional Development Boards were followed by the regional Development Corporations which extended their activities from agriculture to manufacturing, banking, insurance, finance, property and hotels (Forrest, 1994, 26).

3. The Role of Licensed Buying Agents

One of the major responsibilities of the Marketing Boards was to license buyers for the procurement of export crops. The Nigerian Cocoa Marketing Board's first report defended the system of appointing Licensed Buying Agents (LBAs) on the grounds that it was essential to ensure the continuance of orderly marketing introduced under war-time control scheme (Baldwin, 1954, 19).

The Boards issued licenses to private firms, empowering them to purchase the needed export crops in the rural areas for resale to the board at a fixed commission. Although the Marketing Boards were the sole buyers of these crops, the LBAs were essentially needed for the bulking and transportation of these crops to the various established depots for onward transportation abroad. The Boards did not collect the crops directly from the producers. In some instances, the LBAs bought from the 'scalars' i.e. the unlicensed private traders who in turn purchased from 'pan' buyers i.e. small-scale rural traders who bought and resold to the LBAs, who often provided transport from rural bulking points to a major town. Officially, farmers were supposed to receive the posted Marketing Board price for their produce from either an LBA but in practice, both LBAs and their agents paid less. They managed to do so chiefly by giving farmers advances for their crops. In exchange for a cash loan or an advance of pesticides and fertilizer, a farmer agreed to deliver his crop to the buyer-creditor who could then pay what he liked for the produce committed to him, in advance (Berry, 1985, 90-91). The LBAs served as middlemen between the Marketing Boards and producers of primary products. Although most of these LBAs were non-Nigerians, a handful of indigenous LBAs and middlemen participated in the Marketing Board system. Prior to the introduction of the LBA system, Nigerian middlemen, traders and firms engaged in trading activities in spite of the unfavourable conditions occasioned by the European traders and firms. These were unable to compete favourably with the European traders and firms. To register their dissatisfaction against these European firms, the African traders often engaged the foreign firms in series of commercial conflicts. One of such was the cocoa pool incident. The cocoa pool incident of 1938 resulted as a result of a collusion in which the ten European firms responsible for roughly 90 percent of cocoa exports signed a buying agreement designed to reduce the prices they paid for Nigerian cocoa. When cocoa producers caught a whiff of this agreement, they quickly organized to boycott the firms in question. This incident demonstrated to Nigerians the extent to which the colonial system deliberately sought to exploit them (Falola and Heaton, 2008, 142). Indeed, some indigenous African firms and cocoa traders who had sufficient capital at their disposal used the opportunity created by the cocoa pool to their own

advantage, even though it had caused a comprehensive havoc to the generality of the indigenous traders and middlemen. From late 1937, these companies prepared to export cocoa directly to Europe. These firms were the Ibadan-based “United Development Trading Company” owned by R.O Mekanjuola, A. Giwa and others, “Odutola Bros” from Ijebu-Ode (Harniet, 1996, 34).

An estimated number of Nigerian middlemen engaged in marketing of major Nigerian primary products such as cocoa and palm produce even after the Second World War. The estimate was about 100,000. The middlemen became a crucial part of the marketing machinery. With advances of cash from the firms, they purchased produce from the farmers and in turn were credited by the firms. Their excess profits, which were large, depended upon their skill in taking advantage of price changes as well as upon the illiteracy of the primary producer. However, statutory marketing arrangements, which became the order of the day during and after the war tended to adversely affect the business of the middlemen. This owed largely to the fact that under the arrangements, the firms became Licensed Buying Agents and the middlemen became accredited to the firms, and prices and profits for both groups were largely determined by the Marketing Boards. Consequently, the system, which had been operational since 1939 drastically, limited the opportunities once possessed by the middlemen, to amass capital. Although the middlemen were often exploitative in their activities, the capital amassed was used to carry out other entrepreneurial activities. However, during the post war period, Nigerian leaders were able to acquire control over the boards and Nigerian LBAs and exporters were given support and encouragement (Coleman, 1960, 83-84). The buying agents used middlemen who went from one village to the next to buy the products. The middlemen usually did not pay the prices set by Marketing Boards, as they too had to make profits after selling to the big buying agents. The competition among the middlemen was fierce, and each resorted to various ways to undermine the others. The most common method was to advance credit to the farmer and to obtain their products much later, thereby buying far below the market rate (Falola, 2004, 99).

The marketing arrangements after the war were not different from what was obtained during the war years. The Boards also appointed and determined the number of buying agents, as well as the profits they were able to make. The Boards determined the remuneration to the buying agents, which covered the costs of buying the crops, the marketing and management costs as well as the profit. Under the arrangements, an agent was required to obtain a license to operate, thus giving the Boards the right to control whoever had a license. Another area of convergence between the war years and the post war years’ arrangements was that the European firms were the most favoured.

For example, a buying agent was allowed to buy a minimum of 250 tons, initially with its own money, which was as high as £5,000 in a buying season. To receive a license, a firm must provide evidence that it had at least over £5,000 storage facilities, labour and adequate resources to transport the products to the port cities. This condition made it difficult for Nigerians to participate as agents (Falola, 2004).

Until the regionalization of Marketing Boards, the discriminating system of LBAs aimed at preventing the rise of an indigenous trading aristocracy. The high barrier of entry towards acquisition of the license among indigenous traders resulted in a few class of merchant elite with trade dominated by Europeans and [Lebanese businessmen](#). In the Northern Region, LBAs had the task of buying agricultural produce like groundnut and cotton from the local farmers and to transport the goods to the regional market centres where they were bought up for onward shipment to Europe. For this reason, many LBAs established transport companies of their own which later became the starting point for their further commercial activities (Loimeier, 1997, 88). Indeed, an important factor for the effective purchasing and acquisition of Nigerian agricultural produce was the establishment and development of the transport sector. The history of the establishment of modern transportation dates back to the early 1900s when motorable roads and railways were built and linked together for effective transportation of Nigerian agricultural produce and raw materials to Britain. This effort became intensified after the Second World War (WWII) with the use of road and rail transportation as a means of pursuing colonial economic interests in Nigeria. Effective transportation was needed for the movement of goods from the hinterland to the coast. The routes of roads and railways strategically established directed goods in directions that served British colonial economic interests. Hence colonial transportation network ran from north to south, linking the interior centres with the coastal ports. A number of feeder roads constructed aided transportation of needed agricultural commodities to their various depots by the LBAs. In the regions, transportation eased the movement of primary products to the port. For example in the Northern Region people began to produce groundnuts for export when the railway was extended to Funtua and to Kaura Namoda (Watts, 1987, 179). However, the LBA system dictated that only those traders who commanded a sufficient knowledge of the English language as well as the art of bookkeeping had the opportunity to trade in cotton and groundnut, the most profitable goods. Further qualifying conditions were the ability to make an annual minimum purchase of five hundred tons of groundnuts and command over a capital basis of £10,000. These stringent measures meant that out of a total of 22 LBAs for groundnut marketing in the early 1950s, only 2 indigenous traders qualified, while in the cotton

trade no indigenous trader was represented at all among the 13 official LBAs (Loimeier, 1997, 89).

The situation began to change after 1954 as more Nigerians were able to participate as agents. With Nigerians in control of regional government, pioneer politicians found ways to channel capital to local entrepreneurs, including offering Nigerian entrepreneurs advanced payments for goods and even contracts. The new Nigerian banks awarded credit to businessmen and the emerging cooperative banks also trusted them with credit. Only when this system was modified after regionalisation and the conditions for obtaining licenses relaxed by reducing the original capital required that indigenous buying agents gained currency by the Boards. In Northern Nigeria for example, the original capital required for buying was reduced to £1,000 and the buying capacity to 300 tons of groundnuts annually and thus, two indigenous traders al-Hassan Dantata and Ibrahim Musa Gashash emerged to cash in on this opportunity to become licensed buyers (Loimeier, 1997). Thus in the late 1950s Nigerian traders replaced the foreign firms as LBAs for the Boards (Watts, 1987, 179). Examples included Chief D.O. Sanyaolu Olude' Stores which became one of the Licensed Buying Agents for the Nigerian Groundnut Marketing Board, and A.O Alakija and Peter Eket Inyang Udoh (Prince Eket), who became one of the first African Licensed Buying Agents for the Palm Produce Marketing Board (Olaniyi, 2013, 133). By 1960, there was a rise in the number of African LBAs in their share of crops purchased after independence in 1960 when UAC and other European firms began to withdraw from buying cocoa. Ultimately, the LBA system generated a growing cadre of Nigerian administrators and managers engaged in state capitalist enterprises (Beckam, 2004).

These publicly sanctioned monopolies used for the purchase and export of agricultural produce were generally exploitative in nature. While the indigenous LBAs received their share of discrimination, exploitation of farmers came from both the by the middlemen and the European buyers. Since a monopsony is a single buyer; and where there are many sellers but only one buyer, the buyer can strongly influence the price only to his own advantage. This was exactly the case with the Marketing Boards even after the 1954 regionalisation and reorganisation.

4. Western Region Marketing Board

The Western Region Marketing Board (WRMB) was a statutory corporation established in 1954 as part of a political restructuring that expanded the administrative capacities of the Nigerian Regions. The Regional Boards replaced the Nigerian Commodity Boards established between 1947 and 1949 with new regionally focused Boards. Nigeria then

had four commodities and Marketing Boards- one each for cocoa, oil palm produce, groundnut and cotton. The 1954 Boards created after the 1954 Constitutional Conference were charged with the buying and distribution of export produce from their respective Regions, to transport it to the ports for sale and also to develop the cash crop industry in their regions (Tamuno, 2006). The 1954 regionalisation of the Commodity Marketing Boards was a consequence of the introduction of a new colonial constitution, which not only solidified the division of Nigeria into three regions, but also created federal structures, which ceded considerable autonomy to the three regions of Nigeria. In the aftermath of the implementation of the constitution, the accumulated reserves of the defunct commodity marketing boards were shared among the newly created regional marketing boards. The Western Region Marketing Board received £42.9 million (Walker, 2003, 363).

Prior to regionalization, the accumulation of large reserves was primarily fortuitous and unpremeditated. It was at that time as intended by the governmental authorities that they should be used for stabilizing purposes. From 1954 onwards the earning of trading surpluses were now used for the intensified development efforts (Walker, 2003, 589). Having seen the enormous potential for the raising of revenues which the price-fixing function of the Marketing Board offered, the Western Region began consciously to take advantage of it for development purposes. The Region continued to earn trading surpluses after 1954, which cannot be reasonably regarded as intended for stabilization. The 1960-65 Western Region Development Plan called for a further contribution of £21 million from the Western Region Marketing Board over the course of the five year period; and with over 14.5 million already having been granted under the former plan, another £10 million was called for in the 1962-68 Development Plan. Thus, in the public sector, the Marketing Board was the main source of savings for the improvement of agriculture and allied industries and the provision of social services. The Marketing Board's contribution was, in fact 40 percent of the total available domestic finance for the capital programme. By this time, the savings could no longer refer merely to the running down of previously acquired assets. It was now obviously intended to run trading surpluses to finance the regional government's programme.

These Boards became a dominant economic system in the Nigerian economy controlling 63% of the foreign exchange earned by the country in 1961. The regional marketing system created monopolies as they were the only authorized commodity buyers of Cocoa, Groundnut, Palm and Cotton in the 1950s and 1960s. In Southern Nigerian, the Boards expanded their stabilisation role of acting as trustees for the farmers to taxing the producers' income to fund government programmes (Ekundare,

1973). The main thrust of the Regional Marketing Boards was to use revenue accumulated by the board to finance various development programmes in the regions. Price stabilization which had been a major component of the operations of the defunct Commodity Marketing Board was relegated to the background. There were certain aspects of the former structure that the new regional Boards retained. For example, the development Boards of the old system that was responsible for research and development of improved varieties of the agricultural exports were incorporated into the new structure and now called Development Corporations.

WRMB took over the reins of the Nigeria [Cocoa](#) Marketing Board created in 1947 and became the single seller of Cocoa from Nigeria. The Board was also involved in selling Palm Kernels and in funding agricultural research and development and extension services. The Board's initial major role was to act as a stabilizing force in the Cocoa industry, this role was a relic of the Nigerian Cocoa Marketing Board but the Marketing Board evolved later to become a major source of government saving used for the financing of government sponsored projects, to purchase equity and offer loans to private companies, the latter situation later generated some controversy and allegations of corruption in the 1960s in respect to some investments in the National Investment Property Company and a few others.

Much of the stabilization role was performed by buying cocoa and palm kernels from producers at a fixed price usually below market price and selling it in the international market. The surplus was saved as a reserve to supplement future shortfall in producer incomes as a result of declining prices. However, prior to the formation of the regional Marketing Board, the Cocoa prices in the international market was undergoing a bullish phase leading to allegations of a cartel against the British and stability was ensured by a fixed rate in an upward market price trend. From the mid 1950s to the early 1960s, cocoa prices fell and this stability system became less rigid and prone to price fluctuations in a downward price trend. The deleterious pricing strategy adopted by the Western Nigerian Marketing Board led to a very significant diminishing rate of production response.

Be that as it may, the Western Region Marketing Board's price fixing generated surplus which was later used to finance some of the investments of the [Western Region Finance](#) Corporation, [Western Nigeria Development](#) Corporation and agricultural development. The Board also earned income from investments in securities. Between 1955 and 1960 the [Western Region](#) planned a capital disbursement of £20 million taken from the Board to finance developmental purposes and another £21 million was planned between 1960 and 1965. The regional marketing boards became the primary financiers of the regional governments which in turn gave loans to and bought shares in

private companies. The regional governments also gave loans to development corporations. Since the development corporations were statutory bodies that were independent of the legislature, the political leaders in the regions were concerned with not only in terms of the revenue was allocated to them but also how the money was spent. However, the Regional Marketing Boards were mired in financial irregularities, as substantial investments were made in companies that were intended to advance political interests (Walker, 2003).

Revenue from the sale of cocoa alone accounted for about seventy-five percent of the capital accumulated by the Marketing Board from sale of all cash crops. Palm produce, rubber, cotton, and fresh fruits also contributed to the revenue of the Marketing Board. The Board invested over £ 3 million in the National Bank of Nigeria and as soon as the Regional government embarked upon its Development Plan of 1955-1960, the WRMB was instructed to £6 million available for development schemes covering water supply, education and health services, in the region Ekundare, 1973, 83). According to the annual reports of Nigerian marketing Boards, the greatest trading surpluses over the 1954-1961 period were earned by the WRMB, which was already the wealthiest at the outset of the period. Over £14.3 million were withheld from Western Region producers, £9.7 million of which came from palm kernel producer. The remaining £4.6 million came from palm kernel producers, who contributed in the East and West together over £10.7 million to total marketing board reserves. The western Region Marketing Boards' wealth also produced net income to another £5.3 million, mainly from interest on the securities held in its investment portfolios (Walker, 2003).

Thus, it was evident that the creation of these Boards under the regional governments created an opportunity to convert the Boards from price and income stabilization instrument to major fiscal instruments for generating huge revenues for regional governments through taxes on farmers (F.A.O, 1989, 87-96). The Western Region Marketing Board had by now apart from its other responsibilities, a fiscal arm of the Western Nigerian government (Helleiner, 1977, 11). Between 1954 and 1962, the Marketing Board realized the sum of £54 million as surplus of revenue over expenditure. £31 million of this was granted to various ministries, £14 million was lent to the government and various corporations such as housing, development and finance corporations owned by the government. £10 million was invested in various Nigerian companies, another £10 million was divided between Agbon Magbe Bank, the Merchants' Bank, the Association of Nigerian Cooperative Exporters, the Cooperative Bank of Western Nigeria, the Nigerian Produce Marketing Company, the National Bank, and the National Investments and Properties Company (Osuntokun, 1984, 82-83).

On social programmess, one of the laudable projects of the WRMB was the provision of £5 million grant for the take-off of the University of Ife. It also provided funds for the endowment of scholarships and research on agriculture at the university college, Ibadan (Ugbogu, 2012, 88). The Western region established the Western Region Development Production Board in 1950, which was funded by the WRMB to facilitate development within the region. The Board was established in 1950, reconstituted in 1951, and continued to exist until the end of June 1955, when it was replaced by another Board with a similar name. Between 1950 and 55, funds were made available to the Development Board from the surpluses of WRMB In the western region, from 1956 onward, the funds of the WRMB accrued to the regional government which in turn allocated money to the Marketing Board. A sum of £45 million was allocated by the regional government to the board in 1956. The Development Board also transferred its responsibilities on roads and scholarships to other government agencies in order to focus more on agriculture and industries (Falola, 2004, 111). Consequent upon regionalization Nigeria's Commodity Marketing Boards were reorganized as Regional Marketing Boards providing a fiscal base for the politicians to whom control of the new regional governments was now devolved. Reserves from WRMB were now used to fund several developmental projects, leading to industrialization as well as their private business activities and to pay for their party political campaigns. Ultimately, Western Nigeria Regional government embarked on using agricultural exports to amass sufficient capital for development projects. To this end, the government of Western Region established a number of Boards and Corporations aimed at developing the region. It has to be noted that larger percentage of capital used by these establishments were diverted from the Western Nigeria Marketing Board.

One of the best illustrations of the diversion of capital from agriculture to industry is provided by the actions of Western Regional government. The government directly invested in promising projects and also provided capital for investments by private individuals. The instruments for these activities were two statutory corporations, Western Nigeria Development Corporation (WNDC) and Western Region Finance Corporation (WRFC). The government provided the capital for both agencies. What is significant is the source of this capital and the terms on which it was made available. The source was agriculture, and the terms were concessionary.

During the period in which these Corporations functioned, they received bulk of their finances from the WRMB. Between 1949 and 1958, the Development Corporations received £11 million from the MB and that over 70% of its funds came from the Marketing Board. The Board itself was easily influenced because it was under the supervision of the Ministry of Trade and Industry and the Ministry diverted resources

from the Board ostensibly into the promotion of industrial and developmental projects. Often time, the ministry issued directives to the Board instructing it to loan requisite funds to the government corporation requesting it. However, these loans were never returned by these Corporations (Bates, 1981, 19).

5. Western Nigeria Development Corporation (WNDC)

WNDC was the successor of the original Western Regional Production Development Board, which was established in 1951, and the Western Regional Production and Development Board of 1955. The Board was responsible for undertaking projects for the development of agriculture and industry in Western Nigeria. The Board's funds consisted initially of grants made to it by the former cocoa and oil palm products Marketing Board. Sponsorship of the Corporation was continued by WRMB, the fiscal arm of the Western Region government. The Board assumed a new name, Western Nigeria Development Corporation in 1959. Thus from 1955; the Corporation was financed by the Western Nigerian government under its Development Programme of 1955-60. It would be recalled that in 1955, the government under Obafemi Awolowo launched its 1955-1960 development Plan with the *raison d'être* of undertaking projects which individual initiatives and private capital were inadequate to execute. Under this Plan, the government's efforts were to complement the private sector economy and not to be in competition with it (Ugbogu, 2012, 33). The Western Nigerian government set aside a capital provision of £4.5 million for the Corporation. The main emphasis of the original Board was on agricultural development, but the activities of the new Corporation were much wider in scope.

WNDC was the chief agency of government for the undertaking of agricultural and industrial enterprises. The Corporation was empowered to embark on industrial project for which capital was not forthcoming; to launch large scale enterprises involving large capital resources and to attract outside capital to these projects. The Corporation derives its powers from Western Nigeria law of 1957 which transferred to it the property, rights and obligations of the former Western Region Production Development Board, which was established in 1955 and saddled with the responsibility of facilitating the creation of new industries and expansion of old ones and to utilize indigenous agricultural raw materials for production. The newly created WNDC was, however wider in scope than its predecessor.

Efforts were made to develop partnership schemes on agricultural products with cooperative societies and local government authorities. Besides the agricultural activities- which included plantations for rubber, oil palm, cocoa, citrus and pineapples

– the Corporation established canning and rubber processing factories in Ibadan and Ikpoba respectively. The Corporation's non-agricultural activities included a first class catering rest house in Ibadan. It also participated both financially and administratively in the direction of a variety of industries, including the manufacture of cement, plastic, metal window frames, asbestos, cement products, aluminum products, pre-stressed concrete, textiles and beddings. The establishment of the WNDC greatly stimulated industrial development in Nigeria between 1954 and 1960. Indeed, it can be said that the little autonomy which was provided by the 1954 Constitution was exploited by Nigerian leaders to give a leap to the country's industrial development (Onyemelukwe, 1984, 17).

During the plan period 1955-1960, the Corporation's performance was successful. For instance, it operated the Ikpoba rubber processing factory the Lafia Canning factory and the Lafia Hotel. In addition, overseas capital was in many cases attracted to the region. In association with the overseas capital, the Corporation launched about a dozen large scale industrial ventures including the Nigerian Plastic Company Limited, Ibadan, the Nigerian Domestic Industrial Gas Supply Company Limited, the Nigerian Pre-stressed Concrete Company Limited at Abeokuta, and the Tower Aluminum (Nig.) Ltd at Ikeja. Apart from the Corporation's other projects whose value was nearly £12 million, its investments in industrial ventures during the Plan period amounted to £999,000.

The Corporation's plantations covered some 35,000 acres of which 23,000 was planted with oil palms, rubber, cocoa, citrus fruits cashew nuts coffee and pineapples. It also established plantations in association with the local government bodies and cooperative societies, with total acreages 5,002 and 4,092 respectively under the Development Plan for 1962-68. £3 million pounds was also allocated for the plantations and £10 million pounds for large scale industries. (Anon, 1962, 60-61) The Nkalagu Cement factory of 1954 was soon followed by another factory in Western Nigeria. Investigations in 1955 and 56 sponsored by the Associated Portland Cement Manufacturers Ltd., with the agreement with WNDC revealed that there were limestone deposits in the area from Ilaro to the border of Dahomey and consequently, cement factory was established in 1957. In February 1959, the West African Portland Cement was established in Nigeria as a public company to own and operate the cement works. The equity capital of the company was subscribed by the Associated Portland Cement Manufacturers Ltd,(51%), the Western Nigerian Development Corporation (39%) and the UAC Ltd. (10%). The rated output was 200,000 tons per annum which was double the output at Nkalagu. The factory conveniently sited at Ewekoro at a point where the main trunk road and the railway converge to within 300 yards of each other.

Construction started in the mid-1958 and production began towards the latter part of 1960. At that time, it was the largest single undertaking to have been established in Nigeria (Ekundare, 1973, 305-6). By 1962, the Corporation had acquired a financial interest in fifteen companies and held over fifty percent of the shares in the following companies: Nigerian Plastics Company Ltd, Nidoglas Ltd, the Nigerian Plastics Company(sales) Ltd, Nigersol Construction Company Ltd, and the Nigerian Water Resources Development Company Ltd. The Development Corporation also undertook agricultural projects worth millions. It owned the Araromi Rubber Estate in Ikene, Awolowo's village, which cost the Corporation one and a half million pounds to develop. The Corporation also acquired palm oil plantations at Apoje at a cost of £569,000 and at Irele, Ewohimi and Igwuben more plantations were set up at a cost of £630,000. Cocoa projects at Odo and Ibokun cost £546,000. Cashew plantations at Eruwa and Iwo cost the Corporation £170,000. A coffee plantation was also established at Owo at the cost £170,000. The Corporation between 1954 and 1962 also invested one and a half million pounds in industries and hotel businesses (Falola, 2004, 115).

In 1951, a food canning plant was established in Ibadan by the Department of Commerce and Industry (Federal) but was subsequently taken over by the WNDC. The experiment proved that local pineapple and citrus crops could be successfully canned. In 1952, output at the Ibadan factory included 392,000 cans of grape fruit segments, 58 thousand cans of grape fruit juice, 5,000 cans of pineapple crush and slices, and 2,000 cans of Nigerian food stuff (Ekundare, 1973, 300).

WNDC embraced manufacturing, banking, insurance, hotels and catering, agriculture and real estate. The Western Region Housing Corporation built the 350-acre Bodija Housing Estate with 173 houses under construction in 1959, and 750-acre Ikeja Housing Industrial Estate, out of which housing got 550 acres. Two hundred acres went to the building of an industrial estate. Several trading companies were also established. Prominent were National Bank of Nigeria, Nigeria General Insurance Corporation Ltd, Granvil Enthoven and Co. and the Cooperative Bank (Adedara, 2012, 30).

6. Western Region Finance Corporation

The Western Region Finance Corporation (WRFC) was a credit and investment firm owned by the Western Nigeria regional government. It was established in 1955 and was placed as an investment firm under the region's Ministry of Trade and Industry. The Corporation's major responsibility was to grant loans to small agricultural and industrial firms and to invest in or acquire established foreign companies operating in the country. The Corporation acquired, [Arab Brothers](#) for £ 1.1 million and also

acquired 45.5 % shareholding in [G.L. Gaiser](#) for £250, 000 and a share worth £ 120, 000 of Ikeja Arms Hotel. From 1955-1962, it made a total investment and credit grant of 5 million pounds. However, by 1964, it suspended operations in investment and credit allocation as a result of operational inefficiencies rising partly due increasing loan defaults (Anon, 1962, 90-91).

WRFC was established by Western Regional Law no 9 of 1955 to take over the interests and functions of the Western Region Development (Loans) Board with effect from April, 1955. These functions include the financing of projects capable of furthering the development of agriculture industry and commerce throughout the region. As an economic arm of the regional government, the finance corporation provides only such credits as cannot be readily obtained from banks, commercial houses or other credit organizations. Loans were strictly granted for economically productive ventures as distinct from social or amenity ventures (Anon, 1962).

WRFC was chartered to give advances and loans to financial institutions like banks and insurance companies. It could finance motor transportation businesses, erection of buildings, own and collect rents from them. Such enterprises must be located in the Western Region of Nigeria. It empowered to take over an existing company, no matter its size and equity, but subject to approval of the governor-in- council (Ugbogu, 2012, 102). The bulk of the finances used by the WRFC were derived from the WNDC.

In addition to giving loans to enterprises, WRFC acquired already existing companies whose owners advertised for sale. In most cases, it had to enter into agreement with the original owners to provide skilled and technical services since the Finance Corporation could not provide adequate skilled and technical human resources to take over the managerial positions of those acquired companies (Ugbogu, 2012, 110).

When WRFC was established in 1955, it was empowered to grant loans for industrial as well as agricultural and commercial projects. It was also empowered to grant loans to non-Nigerians who were in partnership with Western region enterprises. The Corporation intensified its loan activities to farmers as it was realized that short term agricultural loans were becoming popular, and established 209 local Loans Boards. These were corporate entities administering agricultural and fishing loans under the guidance of the corporation. Corn mills loans were granted to quite a number of people as this was purely a small-scale industry usually located near market places where the demand for processed grains was likely to justify the establishment of a mill. Loans were also granted for projects including rubber plantations, poultry farming, textile factories, saw mills, sea fishing including transport and some local authorities even borrowed from the corporation to finance road tarring, market development and improvements to motor parks. By 1960, it had granted loans totaling 1.4 million pounds

for industrial purposes. In suitable case, it made direct equity investments for businesses for which indigenous capital were not readily available and by 1960, it had invested a total of 1.5 million pounds in this way (Ekundare 1973, 246-247). Since agriculture was the mainstay of the region's economy, the corporation is determined to ensure that agricultural loans go to as many deserving farmers as possible. For this purpose, it established 209 local loans boards. They are corporate entities administering agriculture and fishing loans under the guidance of the corporation in cooperation with experts in the ministry of agriculture and natural resource. Agric loans were intended for the production of cocoa, seasonal food crops and inland water fisheries. Loans for rubber cultivation are expected to be added to this list.

During the 1955-1960 Development Plan which also marked the first five years of its existence, the Western Region Financial Corporation granted agricultural loans totaling 1,344,435 pounds. These were issued for seasonal food crops, inland water fishing and stimulation of cocoa production. During the same period, industrial loans amounted to 485,325 pounds were issued for assorted projects such as rubber factories, joinery and woodwork, motor vehicle repairs and tyre retreading factories. Direct equity investments were also made in a number of commercial and industrial enterprises such as the Epe Boat yard, G.L. Gaiser, Airport Hotel, Arab Brothers Ltd and the great Nigeria industrial company. During the development plan period, 1962-1968, the government of Western Nigeria embarked a sum of 6.8 million pounds from industrial and agricultural credits, which was administered by the Finance Corporation (Ekundare 1973, 59-60).

WRMB soon became insolvent due to excesses from the leadership. Most of the funds were diverted to finance the regional party, Action Group and personal use. In 1954, the Western Region Marketing Board could boast of £6.2 million. However, by May 1962, the Development Corporation had to exist on overdrafts amounting to over £2.5 million. A loan of £6.7 million was made to the Western Region government-owned National Investment and Properties Co., Ltd. for building projects out of which only £500,000 was repaid. The Western Region Finance Corporation and the Western Nigeria Development Corporation also received loans of millions of pounds. None of these loans were ever repaid. The Western Nigeria Development Corporation was too weakened financially to repay the millions it owed the Board. The Coker Commission of Inquiry found Chief Awolowo, the regional and party leader culpable for the ills of the Western Region Marketing Board, due to his failure to adhere to the standards of conduct, which were required of persons holding public office. (Ogbeidi, 2012)

7. Conclusion

Produce buying in Nigeria during the period under study although conditioned by the market forces of demand and supply, cannot be said to be favourable to the producers of these commodities, namely the farmers who were at the receiving end of the joint exploitative activities of both the state and middle men. Conversely, the Marketing Board system adopted as part of colonial economic strategy for the effective procurement and acquisition of Nigerian primary products was a blessing in disguise in spite of its unfair treatment. This is because Regional Marketing Boards became the fiscal arm of the regional governments and more so, the funds generated were diverted to development project. The Western Region government took advantage of this to embark on state led development and industrialization through the establishment of development corporations being funded through its Marketing Board. With the activities of these corporations, the Region moved from the slide show to the centre stage of becoming the pioneer of Nigeria's industrialization. This process was, however, circumscribed due to misappropriation and diversion of funds derived from the Western Region Marketing Board.

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